

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
HOWARD COUNTY RETIREMENT PLAN**

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

October 29, 2020

(Corrected, December 3, 2020)

A joint meeting of the Retirement Plan Committees for the Howard County Police and Fire Employees' Retirement Plan (the "Police and Fire Plan") and the Howard County Retirement Plan (the "Employees Plan") (jointly, the "Plans") was held on Thursday, October 29, 2020 at 9:00 a.m. via a WebEx conference.

Police and Fire Plan:

Members Present:

Human Resources Administrator: Wanda Hutchinson
Director of Finance: Rafiu Ighile
Budget Administrator: Holly Sun
Representative, Police Department Supervisory Employees:
 Jason Luckenbaugh (Non-voting Member in Fiscal Year 2021)
Representative, International Association of Firefighters, Local 2000:
 Richard Ruehl
Representative, Fire and Rescue Supervisory Employees:
 Vincent Baker (Voting Member in Fiscal Year 2021)

Members Absent

Chief Administrative Officer: Lonnie Robbins (proxy to Holly Sun)
Representative, Howard County Police Officers' Association, Lodge 21:
Nicolas Holocker (proxy to Jason Luckenbaugh)

Employees Plan:

Members Present:

Human Resources Administrator: Wanda Hutchinson
Chief Administrative Officer Designee: John Peterson
Deputy Director of Finance: Angie Price
Budget Administrator Designee: Janssen Evelyn
Representative, American Federation of State, County and Municipal
 Employees Local 3085: Dale R. Chase
Representative, American Federation of State, County and
 Municipal Employees Local 3080: Melanie Avery

Employee Representative: Jeff Bronow

Members Absent

None.

Also present for all or a portion of the meeting were:

Lori Buchman, Department of Finance
Sima Taghavi, Department of Finance
Margaret Belmondo, NEPC
Will Forde NEPC
Paul W. Madden, Whiteford, Taylor & Preston L.L.P.
Jamar Herry, Office of Law
Scott Southern, Retirement Coordinator
Nike Yahaya, Retirement Aide, Office of Human Resources
Owen Clark of the County Auditor's Office

Wanda Hutchinson acted as Chair of the meeting and Paul Madden acted as secretary.

Corrections were made to the minutes of the September 24, 2020 meeting. The corrected minutes were unanimously approved by the members of each Committee.

Wanda advised the Committee that Scott Southern has been appointed as Retirement Coordinator

Sima Taghavi reported on the Statement of Revenues and Expenses, Budget vs. Actual, as of June 30, 2020 for the Employees Plan. Sima reported that contributions and benefits were in line with the budget and expenses were approximately 90% of budgeted expenses. The Employees Plan had investment income of \$16.9 million, which was 47.6% of budgeted investment income. The Employees Plan experienced a net operating gain of \$14.9 million, which equaled 46% of budget. The fiduciary net position for the Employees Plan is \$493 million as of June 30, 2020.

Next, Sima Taghavi reported on the Statement of Revenues and Expenses, Budget vs. Actual, as of June 30, 2020 for the Police & Fire Plan. Sima reported that contributions and benefits were close to budget and expenses were below budget. The Police & Fire Plan had investment income of \$16.9 million, which was 47.6% of budgeted investment income. The Employees Plan experienced a net operating gain of \$25.2 million, which equaled 55% of budget. The fiduciary net position for the Police & Fire Plan is \$647.5 million as of June 30, 2020.

Next, Sima reviewed the fiscal year 2021 budget for both Plans.

Margaret Belmondo provided September 2020 flash report. The total fund returned a negative 1.2% for the month. However, the return for the first quarter was strong at 4.5%. The market value of the fund as of September 30 was \$1.17 billion.

Richard Ruehl presented the report of the Emerging Markets Investment Subcommittee. The subcommittee members (Cole Holocker, John Peterson, Holly Sun, Dale Chase and Rich Ruehl) met with NEPC and the four finalists via Webex on August 20 and September 28.

As a result of the manager interviews and analysis, the search subcommittee recommended the ARGA Diversified International Strategy (ARGA) to replace DFA as the Plans' emerging markets value equity manager. Key factors supporting the subcommittee's recommendation were Rama Krishna's background as the architect of the value-focused framework at Pzena, Rama's track record at Pzena and ARGA, ARGA's strong performance compared to peers with value-focused strategies and their favorable fee structure

It was noted that NEPC has not fully completed its rating of ARGA; however they have met with and evaluated the firm. ARGA manages over \$4 billion in assets and has been rated by several larger consulting firms.

Rama Krishna and Biff Miller made a presentation for ARGA. ARGA uses fundamental research to implement its value investment strategy and has had strong performance during a difficult time. The Plans will qualify for a discounted management fee of 70 basis points. The standard fee is 100 basis points.

Following the ARGA presentation and after discussion on the presentation, and upon motion to be made seconded and unanimously approved, it was resolved and that the Committees approve the recommendation of the Emerging Markets Investment Subcommittee to replace the Plans' current emerging markets value manager, DFA, with the ARGA Diversified International Strategy with an initial investment of \$25 million.

Next the Committees addressed an issue relating to Robert Smith, the Chairman and CEO of Vista Equity Partners ("Vista"). Earlier this year, the Plans committed \$10 million to Vista Foundation Fund IV, a fund operated by Vista. Robert Smith communicated that he had entered into a non-prosecution agreement with the Department of Justice for his involvement from 2000 through 2015 in an illegal scheme to conceal income and evade millions in taxes by using an offshore trust structure and offshore bank accounts." The settlement of the investigation provides closure to a personal tax matter that related to one individual at Vista but had the potential to serve as a distraction for others. It appears that no other Vista entities or individuals were

involved in the investigation. However, Smith announced that Brian Sheth, Vista's co-founder and President, may leave Vista. No time frame for the departure or other relevant details were available. No action is recommended as the events described do not trigger that key man clause in the VFF IV limited partnership agreement.

There being no further business, the meeting adjourned.

Respectfully submitted,

Paul Madden

Paul W. Madden
Secretary of the Meeting

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**EXHIBITS
TO
MINUTES OF HOWARD COUNTY POLICE AND FIRE EMPLOYEES'
RETIREMENT PLAN
AND HOWARD COUNTY RETIREMENT PLAN
JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES
September 24, 2020**

1. Statement of Revenues and Expenses, Budget vs. Actual, as of June 30, 2020 for the Employees Plan.
2. Statement of Revenues and Expenses, Budget vs. Actual, as of June 30, 2020 for the Police & Fire Plan
Fiscal year 2021 Budget for the Plans
3. NEPC Meeting Materials:
 - September 2020 Flash Report
 - Report of the Emerging Markets Investment Subcommittee.
 - ARGA Investment Management Presentation
 - NEPC Report on Vista Equity Partners